

Service Date: June 20, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF THE APPLICATION )	
OF THE MONTANA POWER COMPANY )	UTILITY DIVISION
FOR AUTHORITY TO AMEND ITS )	DOCKET NO. 85.7.32
EXPERIMENTAL INDUSTRIAL MARKET )	INTERIM ORDER NO. 5162a
RETENTION RATE, (IMR-85), FOR )	
NATURAL GAS. )	

FINDINGS OF FACT

1. On June 6, 1986, The Montana Power Company, (MPC) filed an application to amend their Experimental Industrial Market Retention rate, (IMR-85), which was approved on a interim basis on November 4, 1985. The purpose of the amendments is to provide the Company with greater flexibility in providing market retention rates for industrial customers in order to retain these customers on the gas system and to possibly attract new customers to the system while protecting the other customers on the system. This protection to other customers comes in the form of retaining some recovery of the nongas (fixed) costs of the system that might otherwise have to be recovered from the remaining natural gas customers if the entire load of the interruptible industrial customer is lost.

2. The proposed amendments will make the IMR rate more readily available to elastic load industrial interruptible customers. The rate charged each customer will be a function of the specific alternative fuel rate, the capital investment required to make a fuel switch and other more intangible costs and benefits of a fuel switch. The amendments then provide for floating this initial contracted natural gas rate

based on the movement of the price of the alternative fuel.

3. The original IMR-85 rate is set at an average of alternative fuel costs of \$3.50 per mcf for all qualifying customers. The amendments establish a range in which the price can fluctuate. The floor price for the natural gas is the system average cost of gas plus \$.50 per mcf. This provides a minimum contribution of \$.50 per mcf for the nongas fixed costs. The ceiling price of the gas will be the tariffed rate for interruptible customers, the Interruptible Industrial Gas Contract IIGC-82.

4. The original IMR-85 rate requires a minimum consumption by the customer of 60,000 mcf annually. The IMR-85 rate is applied to any volumes in excess of the minimum 60,000 mcf. The amendments retain the requirement of a 60,000 mcf minimum consumption, but the rate will apply to all-volumes of gas that are able to be fuel switched.

5. The Commission finds appropriate, on an interim basis, MPC's proposal for all new contracts signed between a customer and the Company after the service date of this Order. Contracts that have been signed under the current IMR-85 tariff will not be eligible for the new rate (IMP-86) unless the Company and the customer agree to modify the contract. The Commission, however, may finally require any additional loss in contribution to fixed costs that results from the modified contract to be absorbed entirely by MPC's investors and not the ratepayers.

6. The Commission finds that less than 100 percent of the cost differential between the otherwise applicable rate and the IMR-86 rate should be recovered via the unreflected gas cost tracking mechanism. On an interim basis, the Commission

finds that 90 percent of the cost differential should be recovered by the rate-payers with the remaining 10 percent recovered by MPC's investors. Prior to issuing a final order in this docket, the Commission plans to investigate the appropriateness of the level of recovery that will be allowed from the ratepayers.

7. The Company will be required to file the tariffs and contracts between each customer and the Company for IMR-86 rates on a timely basis.

#### CONCLUSIONS OF LAW

1. The Applicant, Montana Power Company, furnishes gas service to consumers in Montana, and is a "public utility" subject to the regulatory jurisdiction of the Montana Public Service Commission, Section 69-3-304 MCA.

2. The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision, Section 59-3-304, MCA.

3. If the final decision of the Commission is to disapprove the proposed rates, the Commission may order that a surcharge, with interest, be paid for the amount not collected by reason of this order.

#### ORDER

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS:

1. Applicant is granted authority to implement the proposed IMR-86 rate on an interim basis.

2. The IMR-86 does not replace the IMR-85 rate for any existing customers except as stipulated in Finding of Fact No. 5.

3. Nothing in this interim order precludes the Commission from denying in its final order, after reviewing the entire record in this docket, the final approval of the proposed IMR-85 and IMR-86 rates.

4. The interim approval granted in this order is to be effective June 16, 1986.

DONE IN OPEN SESSION at Helena, Montana this 16th day of June, 1986, by a 4 - 1 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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JOHN B. DRISCOLL, Commissioner

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DANNY OBERG, Commissioner

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TOM MONAHAN, Commissioner  
DISSENTING

ATTEST:

Trenna Scoffield  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.